



NEWS RELEASE

NELSON P. COHEN
UNITED STATES ATTORNEY
DISTRICT OF ALASKA

Federal Building & U.S. Courthouse • 222 W. 7th Avenue • Room 253 • Anchorage, AK 99513-7567 • (907) 271-5071

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**BRITISH PETROLEUM EXPLORATION (ALASKA) PLED
GUILTY TO A CRIMINAL VIOLATION OF THE CLEAN WATER ACT AND WAS
SENTENCED TO PAY \$20 MILLION IN CRIMINAL PENALTIES**

The \$20 Million Penalty (\$12 Million in Fines, \$4 Million in Community Service Payments and \$4 Million in Restitution) Will Resolve BP's Liability Relating to Pipeline Leaks of Crude Oil onto Tundra and Frozen Lake in Alaska

Anchorage, Alaska – United States Attorney Nelson P. Cohen and Alaska State Attorney General Talis Colberg announced today, November 29, 2007, that British Petroleum Exploration (Alaska), Inc., (BPXA) pled guilty in federal court to a criminal violation of the Clean Water Act for spilling 200,000 gallons of crude oil from a pipeline operated by BPXA onto the tundra and a frozen lake on the North Slope in March of 2006.

United States District Court Judge Ralph R. Beistline accepted the guilty plea to the one-count Information and sentenced BPXA to pay a total of \$20 million in criminal penalties of which \$12 million is criminal fine, \$4 million is community service payments to the National Fish and Wildlife Foundation (NFWF) for the purpose of conducting research and activities in support of the arctic environment in the State of Alaska on the North Slope, and \$4 million is criminal restitution to the State of Alaska. BP will also serve a three-year term of probation.

The joint state and federal criminal investigation leading to the plea agreement involved two different leaks from oil transit lines (OTLs) operated by BPXA. The leaks occurred in March and August of 2006, and were the result of BPXA's failure to heed many red flags and warning signs of imminent internal corrosion that a reasonable operator should have recognized. The first pipeline leak, discovered on March 2, 2006 by a BP employee who smelled the leaking crude oil, resulted in more than 200,000 gallons of crude oil spreading over the tundra and a nearby frozen lake. This was the largest spill ever to occur on the North Slope. The second leak occurred in August of 2006, but was quickly discovered and contained after leaking approximately 1,000 gallons of oil onto the tundra. Nevertheless, the second leak led to the shut down of Prudhoe Bay oil production on the eastern side of the field. BPXA shut down production because it could not guarantee the condition of the line and whether it was fit for service. By reason of BP's immediate spill response and its cooperation with the investigation, it was not charged with the second spill.

During the investigation the United States obtained a section of pipe where the March 2006 leak

occurred. Approximately six inches of sediment was found on the bottom of the thirty-four-inch-diameter pipe. When sediment builds up in a pipeline it forms an environment in which acid producing bacteria can thrive undisturbed by the flow of oil and chemicals intended to protect the pipe from corrosion. The acid produced by these bacteria can corrode pits or, if unchecked, holes in the wall of the pipe. Knowing this, BPXA should have cleaned the OTLs with a piece of equipment called a maintenance (or cleaning) pig and inspect the pipes for corrosion with a smart pig which had not been done for eight years.

A maintenance pig would have disturbed the bacteria and cleared out the stagnant water and sediment that harbor the acid-producing bacteria. A smart pig would have provided a clear picture of the corrosion activity that was occurring in both areas where leaks eventually occurred. BPXA's leak detection system was dependent upon clean pipe in order to function optimally. Accordingly, BPXA's failure to keep the pipeline clean led to product leaking from the pipe and the inability to promptly discover the leak.

The failure to adequately manage the corrosion in the pipeline that leaked—in light of the risks known to BPXA—was due to BPXA's failure to allocate sufficient resources to ensure safe and environmentally protective operation of the pipelines that leaked. Cost-cutting was the emphasis for operation of the Greater Prudhoe Bay Unit by BPXA for many years without sufficient regard for the ever-increasing needs and associated costs of running an aging oil field.

“As a result of BP's criminal negligence, corroded pipelines leaked crude oil into one of the nation's most fragile ecosystems,” said Granta Y. Nakayama, EPA's Assistant Administrator for Enforcement and Compliance Assurance. “EPA will aggressively pursue violations that threaten our nation's environmental treasures.”

“This case demonstrates one of the pillars of environmental enforcement: protecting our natural resources,” said Acting Assistant Attorney General Ronald J. Tenpas for the Environment and Natural Resources Division. “BP cut corners with disastrous consequences and is being held to account.”

Judge Beistline said this was a serious crime. “This incident provides us all a clear warning of the need to be vigilant with regard to pipeline maintenance and with regard to safety and security of the pipeline and environmental protection,” Judge Beistline further stated. “BPXA needs to make sure the oil flows smoothly but safely and I think we have to put particular emphasis on the need to give high priority to maintenance and maybe a little less priority on profits.”

The extensive investigation into the facts surrounding the March and August 2006 leaks from the OTL's operated by BPXA in the Prudhoe Bay Unit was a joint federal and state effort that involved many technical and complex issues, complicated evidence collection, numerous interviews, the review of numerous records and documents, and consultation with experts. The U.S. Environmental Protection Agency, Criminal Investigation Division and the Federal Bureau of Investigation conducted the investigation with assistance from the U.S. Department of Transportation (DOT) Pipeline and Hazardous Materials Safety Administration in the form of expert consultation, the DOT Office of Inspector General, and the Alaska Department of Environmental Conservation, Environmental Crimes Unit with regard to

the initial response to the spills.

The trial team of prosecutors in this case consisted of Assistant U.S. Attorney Andrea T. Steward and Special Assistant U.S. Attorney Todd Mikolop of the U.S. Attorney's Office for the District of Alaska, Daniel L. Cheyette, who is an Assistant Attorney General in the Office of Special Prosecutions for the State of Alaska, and for purposes of this investigation was cross designated as a Special Assistant U.S. Attorney with the U.S. Attorney's Office for the District of Alaska, Trial Attorney J. Ronald Sutcliffe and Senior Trial Attorney Christopher J. Costantini, both of the Environmental Crimes Section of the U.S. Department of Justice.

Both Mr. Cohen and Mr. Colberg commended the investigators and trial attorneys for their efforts in this case.

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